Global Thermoelectric Inc.

Annual Report 2001

Bringing HOME the POWER of Innovation™

GLOBAL'S PROGRESS

FUEL CELL DEVELOPMENT

	1998	1999
Technology and Product Development	• Global successfully tests fuel cells. • Development of new high temperature stack sealing system.	• Global announces major breakthrough in cell design and performance which delivers much more power at lower operating temperatures. • Global receives $1.3 million order from Delphi Automotive Systems for fuel cell stacks. • First patent applications filed.
Facilities	• Minimal facilities.	• 10,000 sq ft office and laboratory space.
Staff Levels	• 20	• 30
Cash Balance and Investments at Year End	($1.2 million)	($2.6 million)
Business Development Initiatives		

CORPORATE PROFILE

Global Thermoelectric Inc. is a world leader in the development of planar solid oxide fuel cell ("SOFC") technology. The Calgary-based company is also the world's largest manufacturer and distributor of thermoelectric generators for use in remote locations. The Company is listed on The Toronto Stock Exchange under the symbol GLE.

2000	2001	2002
• Global demonstrates first 1.35 kW natural gas residential proof of concept system. • Five patent applications filed.	• Pilot plant demonstrates initial production run of 250 cell membranes/week and ramps up to 1,000 fuel cell membranes/week with 90% yield rate. • Global delivers to Enbridge 30% smaller, new generation 2 kW residential natural gas prototype system. • Successful testing of other residential and remote power systems. • 37 pending patent applications.	• Ongoing prototyping of remote and residential systems to develop stable platform. • Enhanced collaboration with strategic partners and development of definitive agreements. • Development and testing of electronic controls, system packaging and propane fuel processing technology. • Optimization of cell and stack design.
• 32,000 sq ft pilot production plant (ultimate capacity 10 MW).	• 80,000 sq ft research and development facilities including pilot plant and offices.	• Continued optimization of membrane manufacturing. Goal: demonstrate 2,500 cells/week.
• 80	• 160	• Moderated staff growth.
• $135.3 million (Global completed equity financings in November 1999 and August 2000).	• $121.1 million	• Anticipated fuel cell R&D expenditures: $25.0 million - $30.0 million. • Anticipated capital expenditures: $5.0 million - $8.0 million.
• Strategic alliance with Enbridge Inc. including a $25.0 million investment in Global.	• Dana Corporation • Advanced Energy Systems Ltd. • Citizens Gas and Coke Utility • Suburban Propane L.P. • Advanced Measurements Inc.	• Superior Propane Inc. • Bonneville Power Administration • National Research Council Canada • Propane Education and Research Council ("PERC")

ANNUAL MEETING

Global Thermoelectric Inc.'s Special and Annual Meeting of Shareholders will be held at 2:30 PM local time on June 5, 2002 in TELUS Rooms 104-105, TELUS Convention Centre, 120 Ninth Avenue SE, Calgary, Alberta, Canada.

Jim Perry,
Global's President and CEO.

In last year's Report to Shareholders we committed to focusing Global's efforts in two key priority areas – partnerships and prototyping. These priorities are essential to the successful commercialization of our fuel cell technology and for building future shareholder value. I would like to report back to shareholders on how we did.

Partnerships

Global's efforts throughout 2001 to attract marketing and distribution partners yielded very positive results. In the second half of 2001 and early in 2002 the Company announced Memorandums of Understanding ("MOUs") with a broad range of development and distribution partners, including: Suburban Propane L.P. of Whippany, New Jersey; Citizens Gas and Coke Utility of Indianapolis, Indiana; the Bonneville Power Administration of Portland, Oregon; and Superior Propane Inc. of Calgary, Canada. The purpose of an MOU is to establish in general terms the framework for a future collaborative relationship and definitive agreement.

These new partnerships will complement our previously announced alliance with Enbridge Inc., and provide the Company with an expanded North American distribution network. Global is also positioning itself to become the key North American supplier of propane compatible fuel cell products and has been awarded up to US$500,000 funding by the U.S. Propane Education and Research Council ("PERC") to develop a propane fuel processor for solid oxide fuel cell ("SOFC") products.

In order to accelerate the development and commercialization of our technology we also signed MOUs with: Dana Corporation of Toledo, Ohio; the National Research Council of Canada; and Advanced Energy Systems Ltd. of Bentley, Australia. These partners offer a broad range of expertise to optimize Global's technology.

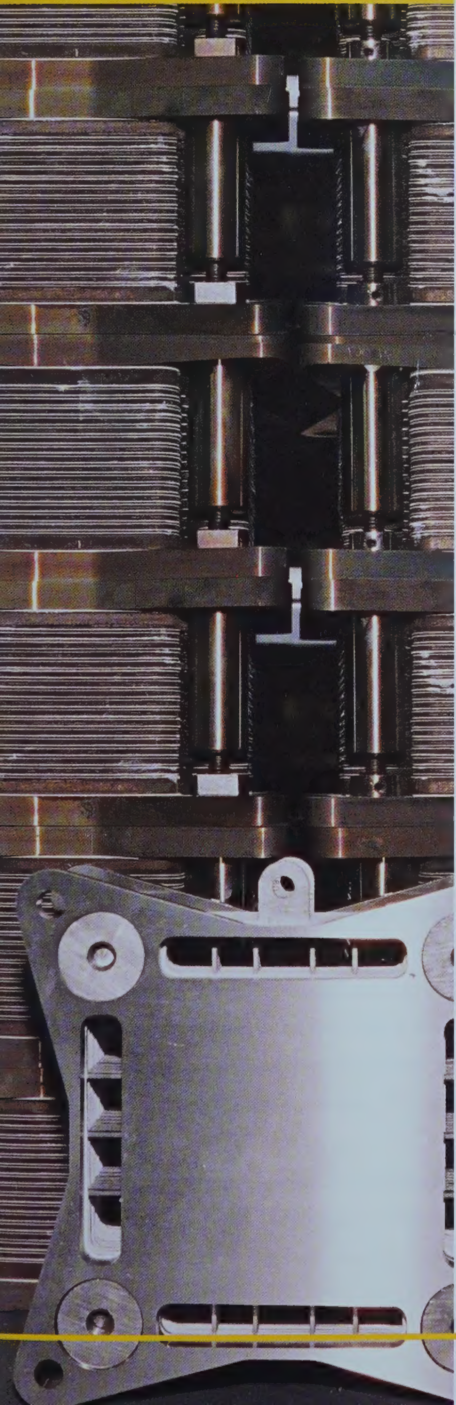
Prototyping

As outlined in last year's Report, our objective for 2001 was to develop remote and residential prototype power systems in order to initiate field testing in 2002. Prototyping involves the development and laboratory testing of systems which may include new or modified fuel cell components, electronics, fuel processors, mechanical components and configurations. Field testing, on the other hand, generally involves longer trials outside of the laboratory to demonstrate durability and performance characteristics of a refined product. Global is currently in the prototyping stage of product commercialization.

In the first half of 2001 we delivered a residential prototype to Enbridge on schedule and subsequently tested several other residential and remote systems during the balance of the year. The new 2 kW (net electrical) system delivered to Enbridge, which for the first time included electronic controls, was approximately 30% smaller than the system built in 2000

and represented an attempt to significantly advance our prototyping. This first "Enbridge unit" met initial goals as a proof of concept. Overall, the results demonstrated that additional development work on many aspects of system integration, stack performance, mechanical sub-components and control systems is necessary. Subsequent development and testing in 2001 focused on addressing these issues and highlighted the need for Global to continue prototype development throughout 2002.

Global SOFC stacks.



Other Developments in 2001

In 2001, Global's fuel cell facilities were expanded to a total of over 80,000 square feet of production, laboratory and office space. The pilot plant, built to optimize ceramic fuel cell membrane manufacturing, completed a run of 1,000 cells per week with a 90% yield in the summer of 2001, up from 250 cells per week at the beginning of the year. The evolution of cell membrane manufacturing has fully met our expectations, and significant cost improvements are now within reach. In 2002, the plant is expected to continue to ramp-up production to demonstrate manufacturing of 2,500 cells per week. Membrane production at this stage is not ongoing but rather it is designed to demonstrate and test new manufacturing processes as well as meet the immediate needs of Global's research and development programs.

The Company's hiring efforts throughout 2001 were very successful, resulting in a doubling of the personnel supporting fuel cell commercialization from approximately 80 to 160. The extremely high calibre of professionals recruited worldwide has a very positive impact on our Company's ability to commercialize its SOFC technology. As anticipated, our 2001 research, engineering and development expenses increased nearly threefold over the previous year to $15.1 million in line with this growth in personnel and an increased commitment to commercialize our fuel cell technology. At year end, Global remained in a very strong financial position with a multi-year cash reserve of $121.1 million and virtually no debt.

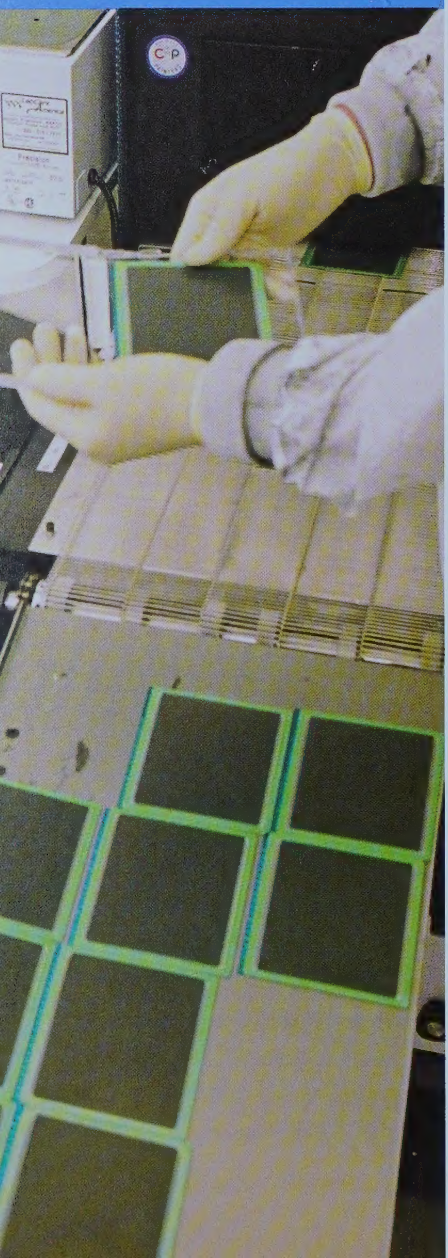
Throughout 2001 the Company also continued to file international, Canadian and U.S. patent applications regarding its SOFC technology. By year end 2001 our patent portfolio had increased to 37 pending patent applications based on 12 distinct inventions representing a significant core base of proprietary technology. Also, in 2001 the Company made a payment of 100,000 DM (approximately C$68,000) under a previous 1997 Memorandum of Agreement with Forschungszentrum Juelich ("Juelich"), one of Germany's largest research institutes, releasing Global from all licensing obligations to Juelich relating to their SOFC technology.

Generators

In August of 2001, Global completed the sale of its military heater division to focus all of its energy on developing and marketing power products. Sales of thermoelectric generators decreased when compared to the previous year (revenue of $15.4 million in 2001 versus $25.4 million in calendar 2000) as a result of the substantial completion in 2001 of an exceptionally large contract (exceeding $19 million) with the Gas Authority of India. In 2001, the generator division achieved improved margins and a $4.3 million increase in non-India related sales in spite of the challenging economic climate. In recognition of the generator division's continued success in international markets, Global was awarded its second Canada Export Award in September 2001. The award, presented by the Government of Canada, recognized Global's continuing strong international sales performance.

Goals for 2002

Fuel cell membrane production.



Our goals are developed each year to challenge everyone at Global to execute our business plan and to contribute to shareholder value. Our expectations have always been high and in 2002 we are seeking to accomplish further technology breakthroughs, achieve product development milestones and expand our commercial product lines. In the fuel cell area our focus for 2002 continues the direction set in 2001, namely:

Partnerships – The Building Blocks

The initiatives launched in the second half of 2001 and early 2002 represent a very focused approach to attract complementary partners to assist us in system development, market research and ultimately the commercial launch of our initial product. We also identified the strategic importance of developing propane compatible applications and establishing distribution partnerships to tap in to early adopter or premium power markets. Today, Global is positioned advantageously with this industry in North America.

In 2002 we intend to advance these relationships into collaborative partnerships as per our plan. Our objective on the distribution side is to structure the collaboration into consortiums – stable building blocks – focused on a common set of deliverables and a common timeline to market. This approach will emphasize the development of modular technology and product platforms to accelerate time to market while optimizing resource utilization.

In 2002 we intend to remain resolutely focused on these initiatives. At the same time however, Global needs to look to the future and other market possibilities. Accordingly, in 2002 we will begin to explore other opportunities which may include larger scale applications requiring a scaled-up technology platform. These initiatives are long-term objectives with delivery timeframes that extend beyond 2002.

Prototyping – Momentum and Focus

Global's prototyping program will continue in 2002 with the objective of developing stable systems that will lead to field testing. Developing and testing of prototype systems is our highest priority.

The work already completed has yielded a wealth of useful information and created a sense of momentum in our prototyping program. Above all, we clearly recognize the scope, complexity and risk inherent in this task, and we are taking strong measures to ensure the likelihood of success. In December 2001 Global recruited Peter Garrett as Chief Operating Officer. Mr. Garrett, formerly the Vice President of Research and Development of Nortel Networks, brings to Global a strong track record for managing product development and commercialization teams. We have also launched a number of significant internal initiatives to ensure our fuel cell division is a process oriented, appropriately resourced and focused organization that can produce results within short deadlines. Global has also assembled a world-class team of approximately 160 scientists, engineers, technicians and management in a well-funded leading-edge facility. We are confident that these efforts will allow Global to significantly advance its prototyping and product development program in 2002.

Research and development efforts in 2002 are expected to focus on membrane production, stack development and projects with technology partners to optimize fuel cell components and develop integrated electronic controls for our remote and residential systems.

Global's Management Team
Left to right:
Brian McGurk
Vice President, Human Resources
Bernie LeSage
Vice President, Generator Division
Paul A. Crilly
Vice President, Finance & CFO
Jim Barker
Vice President, Business Development and Marketing
Jim F. Perry
President & CEO
Peter Garrett
Chief Operating Officer
Dave Ghosh
Vice President, Chief Technology Officer

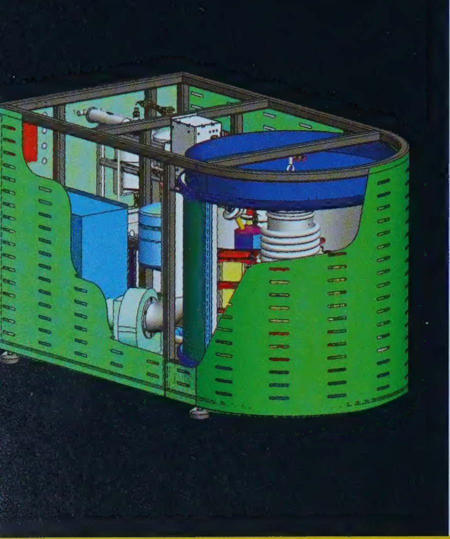
Generators and Our Vision

Our long term vision is to become the world's predominant provider of innovative power generation solutions. This is an ambitious goal and is not based solely on the promise of our fuel cell initiative. We have also set challenging objectives for our generator business. For example, the generator division is exploring opportunities to leverage its extensive international sales and distribution network not only to deliver a broader range of proven power-related products and services but also to look beyond the traditional oil and gas markets that we have served. The Company will also seek out opportunities to expand its existing markets. In 2002 the Company will be testing a larger thermoelectric generator specifically designed to better meet the challenging needs of offshore drilling platforms.

People Power

Our success is the direct result of the contribution employees made at all levels of the organization throughout the year. On behalf of Global's Executive and Board of Directors, I would like to sincerely thank our employees for their significant effort in 2001. We have worked hard to develop a company that rewards excellence and is highly aligned to generate results. I would like to take this opportunity to compliment Global's employees for the manner in which they have taken on this challenge.

Jim F. Perry
President and Chief Executive Officer
April 15, 2002



BUSINESS DEVELOPMENT: GLOBAL'S PATH TO BUILDING VALUE

Background

Global initially undertook to develop fuel cell products as a way to complement its thermoelectric generator business. In the late 1990's the Company recognized market opportunities, such as remote telecom power applications that could not be effectively addressed by the existing thermoelectric generator line of products because of the technology's limited power range (30 - 550 watts) and inherently high cost. In 1997, Global identified fuel cells as the most promising means of accessing these markets and launched a

Global's long term vision is to be the world's predominant provider of innovative power solutions. The successful commercialization of fuel cell products is a key undertaking for Global to realize this vision.

Above: Global's prototype natural gas fuel cell system, March 2002.

solid oxide fuel cell ("SOFC") development program. The Company demonstrated very rapid progress which permitted Global to significantly expand the scope of its targeted markets.

Our Approach

There are several key markets for fuel cells: stationary markets, such as remote, residential, small commercial and large industrial applications; and automotive or transportation markets ranging from passenger vehicles to buses and trucks. Regardless of the application, substantial engineering, technical and cost obstacles must be overcome for fuel cell products to effectively access any of these markets. Our focus today is on the development of small (2 – 10 kW) stationary fuel flexible applications. These natural gas or propane systems are expected to provide commercial or residential customers with reliable and efficient electricity. Initially, products such as these will be adopted in high-end niche markets which will serve as steppingstones to larger consumer or commercial markets in the long term.

Global's approach to product commercialization is to adopt strategies which will accelerate time to market, mitigate development risk and cost and maximize the probability of commercial success. Our commercialization efforts are focused on stationary applications where SOFC technology can enjoy a comparative advantage over incumbent approaches, where near term market value propositions can be demonstrated and where access to larger markets is likely to emerge. Our SOFC approach is based on our recognition of the following factors:

Top: Global's propane fuel processor.

Bottom: Global's research and development facility.

Niche markets will adopt fuel cells first.

Fuel cell products will initially not be cost competitive with many incumbent technologies or services (such as the grid). Niche markets such as remote commercial or residential applications, where power generation solutions command a premium, do however offer an early adopter opportunity. Global expects to focus on these initial markets which will serve as steppingstones to scaling-up production, improving product performance and customization to then address larger markets. Also, premium power markets provide Global and its partners with the opportunity of building initial customer confidence in fuel cell products.

For the foreseeable future, there will be no widely dispersed hydrogen infrastructure.

Fuel cells operate on hydrogen. For the near term hydrogen will have to be extracted from hydrocarbon fuels such as natural gas and propane and in the longer term potentially from liquid fuels such as gasoline or even diesel. Fuel cells, such as the solid oxide fuel cell, which do not require pure hydrogen nor the attendant complex and costly fuel processing systems, will have an inherent advantage. Global is exploiting this advantage.

Stationary markets are Global's near term markets.

Today's stationary markets offer a wider range of applications at higher price points than other fuel cell markets. Mass market applications, particularly for automotive or transportation products, offer the greatest technical obstacles and lowest price points and are therefore the furthest away from commercialization. Accordingly, Global's effort is focused on stationary applications.

Standard Modular Platforms

In conjunction with this approach, the Company seeks to standardize its technology platform to the maximum amount possible, striving to push system customization and differentiation down the process chain and out to the peripheral system componentry. By employing these drivers, Global is ensuring that its products target the most attractive markets while maintaining a high degree of continuity across our product portfolio to reduce time to market, development risk and production costs.

Likewise, our approach with potential distribution partners is to structure collaboration into consortiums focused on a common set of deliverables and timeline to market. This approach emphasizes the development of modular, common technology and product platforms to limit risk and the dilution of effort and resources.

The distribution relationships that Global is developing are wide ranging and address key markets in North America. Additionally, we are advancing alliances to accelerate fuel cell research, develop system components (for example electronic controls) and provide manufacturing expertise.

Company / Organization	*Status*	*Role*
Enbridge Inc. A leading North American energy delivery company and Canada's largest natural gas distributor with 1.5 million natural gas customers.	The alliance was announced in July 2000. Enbridge invested C$25 million in Global and the two parties have since conducted market research and undertaken prototype testing.	Enbridge has exclusive distribution rights for Global's SOFC residential products in Canada.
Advanced Measurements Inc. AMI is a leading integrator of PC-based, intelligent test, measurement and automation solutions.	In May 2001 Global announced it had formed a strategic alliance with AMI. Global and AMI jointly developed requirements for SOFC testing stations.	AMI develops and provides Global with test stations for cell, stack, and system components. AMI also markets test systems to others in all sectors of the fuel cell industry.
Suburban Propane L.P. Suburban is the third largest propane distributor in the U.S. with a significant presence in the U.S. northeast and California. Suburban has over 750,000 customers and more than 350 customer service centres in over 40 states.	An MOU was signed in September 2001. The two companies have begun preliminary market research.	A high proportion of propane customers tends to be located in remote areas and has a high correlation with premium power or early adopter markets. Suburban's role is to participate in market research and product evaluation and may become a distributor.
Citizens Gas and Coke Utility Citizens is the sole distributor of natural gas in Indianapolis, Indiana with over 260,000 residential and commercial customers.	An MOU was signed in October 2001. The two companies expect to conduct market research to support modification of Global's SOFC products.	Global's SOFC products will be modified to meet customer preferences, load requirements and local codes and standards. Development costs are to be shared and Citizens may become a distributor.
Advanced Energy Systems Ltd. Based in Australia, AES is a leading edge developer of power electronics and control technology. AES's current inverter technology has a conversion efficiency in excess of 90%.	A Letter of Intent was signed in December 2001. Global may invest up to US$400,000 in AES contingent on the development of a definitive agreement.	Fuel cells produce DC power which must be transformed into AC power through the use of an inverter. Global and AES intend to work together to integrate AES's inverter with Global's SOFC microprocessor fuel cell system controls into a single, cost effective and efficient power electronics solution.

This process of developing complementary relationships is an ongoing priority and is key to our continued growth. To date, we have established or are in the process of establishing the following relationships:

Company / Organization	*Status*	*Role*
Dana Corporation Dana is a leading automotive developer and supplier to global vehicle manufacturers with extensive experience in seals, bi-polar plates and heat exchangers.	In December 2001 Dana and Global announced that the companies plan to work together to enhance the performance and reduce the cost of certain elements of Global's proprietary fuel cell system.	Dana is expected to bring a high volume manufacturing discipline to optimize fuel cell components.
Propane Education and Research Council ("PERC") PERC, which is funded by the U.S. propane industry, through its technology strategy, funds the development of new end use technologies which may increase propane sales.	PERC announced in January 2002 that up to US$500,000 was awarded to Global to fund the development of propane fuel processors for SOFC products.	This award from PERC complements our efforts with Suburban and Superior and is expected to help position Global as a key supplier of propane compatible fuel cell products in North America.
National Research Council Canada The NRC's Institute for Chemical Process and Environmental Technology ("ICPET") is a leading Canadian materials research and development agency.	Global announced in January 2002 that the Company has entered into a 2-year C$957,000 joint development program with ICPET to investigate research issues applicable to next-generation SOFC components.	ICPET's pioneering research and development is expected to advance our technology and support future product commercialization.
Bonneville Power Administration Bonneville is an Agency of the U.S. Department of Energy and sells approximately 46% of the electrical power consumed in the northwestern U.S. Bonneville is a leading U.S. supporter of new technologies to promote energy efficiency and sustainable growth.	An MOU was announced in January 2002 to establish a strategic relationship for the purpose of developing, evaluating and distributing Global's SOFC products. Bonneville is expected to purchase three Global systems for an anticipated price of US$240,000.	Bonneville will undertake market research and field testing. Under the terms of the MOU, Global and Bonneville may also enter into a distribution agreement for any jointly developed SOFC products.
Superior Propane Inc. Superior Propane is Canada's only national propane distributor with a 50%-55% market share and approximately 300,000 customers.	In February 2002 Superior joined the Global-Enbridge alliance to distribute Global's fuel cell products in Canada.	Superior broadens market access in Canada by adding an important market segment – customers located in more remote areas who have a high correlation with premium power or early adopter markets. Superior will participate in market research and development.

The following discussion and analysis should be read in conjunction with the audited financial statements and related notes included in this Annual Report.

Selected Financial Information
(000's except per share amounts)

	Twelve months ended Dec. 31, 2001 (audited)	Twelve months ended Dec. 31, 2000 (unaudited)	Nine months ended Dec. 31, 2000 (audited)
Revenue	**$ 15,357**	$ 25,392	$ 14,649
Gross margin	**4,883**	7,006	3,798
Investment income	**5,911**	3,894	3,605
Research, engineering and development - net	**15,087**	5,870	4,980
Net loss from continuing operations	**(12,968)**	(445)	(1,967)
Per share	**(0.49)**	(0.03)	(0.09)
Net earnings (loss) from discontinued operations	**1,177**	(233)	(372)
Per share	**0.04**	(0.01)	(0.01)
Net loss	**(11,791)**	(678)	(2,339)
Per share	**(0.45)**	(0.04)	(0.10)
Dividends on preferred shares	**500**	482	482
Capital expenditures	**$ 9,007**	$ 5,765	$ 5,551
Financial position			
Cash and short-term investments	**$ 121,064**		$ 135,300
Capital assets - net	**15,286**		8,216
Total assets	**146,849**		160,675
Share capital	**158,821**		158,725
Accumulated deficit	**$ (20,274)**		$ (7,983)

Forward-looking statements

Certain statements included in this Annual Report may contain forward-looking statements about the Company, the development of its technologies, and the establishment of its strategic business relationships. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "anticipates", "believes", "intends", "estimates", "projects" and similar expressions, or that events or conditions "will", "may", "could" or "should" occur.

These forward-looking statements are subject to various risks, uncertainties and other factors that could cause the Company's actual results or achievements to differ materially from those expressed in or implied by such forward-looking statements. These risks, uncertainties and other factors include, without limitation: uncertainty as to the Company's ability to successfully implement its business strategy; the risk that development projects will not be completed successfully or in a timely manner; a dependence on the contributions and performance of the Company's major alliance partners; the ability of the Company to successfully negotiate and execute definitive agreements governing its relationships with its major alliance partners; uncertainties as to the availability and cost of financing; the development of competing technologies and the possibility of increased competition; fluctuating energy prices; uncertainties involving government policies and government regulations affecting the Company's business; and other factors identified in the Company's Annual Information Form and other reports filed with securities commissions in Canada and available at www.sedar.com.

Forward-looking statements are based on the beliefs, opinions and expectations of the Company's management at the time they are made and the Company does not assume any obligation to update its forward-looking statements if those beliefs, opinions or expectations, or other circumstances should change.

The Company changed its fiscal year end from March 31 to December 31 effective December 31, 2000. For purpose of comparisons to the audited consolidated financial statements of the year ended December 31, 2001, the following discussion will include reference to the unaudited consolidated financial statements for the twelve-month period ended December 31, 2000, together with the previously reported audited consolidated financial statements for the nine-month period ended December 31, 2000.

On August 24, 2001, the Company completed the sale of its military heater business. The results of operations and financial position of this business have been reported as discontinued operations. Accordingly, prior period financial statements, including segmented information, have been reclassified to reflect this change.

Sales revenue, which comprises thermoelectric sales and service, for the twelve months ended December 31, 2001 was $15.4 million compared to $25.4 million for the twelve months ended December 31, 2000. The reduction in revenue in the year reflected the substantial completion of the Company's contract with the Gas Authority of India ("GAIL") in 2001 for the supply and installation of thermoelectric generators along a new pipeline constructed by GAIL. Revenue from this contract decreased in the current year to $0.7 million compared to $15.0 million for the twelve months ended December 31, 2000. The Company was successful in partially offsetting the impact of the completion of its India contract, with non-India sales increasing by $4.3 million over the prior year. Revenue for the previous fiscal period, which comprised the nine months ended December 31, 2000, was $14.6 million.

The Company has successfully completed its contractual commitments on the GAIL pipeline project and is negotiating the release of the final 10 percent ($2.0 million) contract holdback. The Company is in discussions with GAIL concerning delays in the completion of the Company's commitments under the contract and the impact of these delays on the release of the holdback amount. It is the Company's position that delays in the construction of the pipeline itself, of which the Company was reliant on to complete its work, accounted for any delays incurred by Global. The Company is confident that it will be successful in recovering substantially all of the holdback amount. However, as confirmation of this recovery is dependent on certain documentation from GAIL, including a formal acceptance certificate of the equipment and services provided, the Company has not recognized an equivalent amount of revenue equal to the holdback amount. If and when the holdback is recovered, an equal amount of revenue will be reported in the period of recovery. The Company has recognized expenses directly attributable to the holdback amount, except for expenses that are contingent on the receipt of this final amount.

A gross margin of $4.9 million, or 31.8 percent of revenue was generated in the current year compared to $7.0 million, or 27.6 percent of revenue in the prior calendar year. The majority of the Company's sales are denominated in U.S. dollars, and the strength of the U.S. dollar relative to its Canadian counterpart contributed to a stronger gross margin percentage in the current year and to the realization of foreign currency gains of $0.4 million. Additionally, the Company realized premium margins on certain international orders in the current year.

Investment income increased to $5.9 million in the year ended December 31, 2001 from $3.9 million in the previous year. This increase reflects a full year of investment returns on $94.6 million of net proceeds from the Company's equity offering in August of 2000, partially offset with lower money market returns on a year over year basis.

Research, engineering and development expenses increased nearly threefold to $15.1 million, from $5.9 million in the previous year. The Company expenses its research, engineering and development expenses as incurred. Commercialization activities in the Company's fuel cell division accounted for $14.0 million compared to $5.4 million in the previous year. A doubling of personnel directly involved in fuel cell research and development contributed to the significant, albeit anticipated, increase of expenditures in this division. In the current year, the Company also increased the manufacturing of fuel cell membranes, stacks and prototypes for testing purposes, the material and fabrication costs of which increased research and development expenses. Research engineering and development expenditures incurred in the generator division increased to $1.1 million compared to $0.4 million in the previous calendar year. These expenses comprise primarily engineering support and product development costs related to generator sales and services. The increase in expenses reflects a shift to new product development and engineering initiatives in 2001 from primarily production support and product customization which is typically expensed to cost of goods sold.

Marketing expenses increased to $1.7 million in the current year compared to $1.6 million in the prior calendar year, despite a decrease in total revenues. Additional marketing expenses incurred by the Company reflect the generator division's continued focus on expanding international markets for its products.

Business development expenditures increased significantly in the current year to $1.1 million compared to $0.1 million in the prior year. This increase reflects the addition of six professionals to Global's business development team, whose work was evident with the signing of four Memorandums of Understanding in 2001.

General and administrative expenses increased to $3.6 million in 2001 compared to $2.4 million in the prior calendar year. The Company added additional administrative personnel and implemented enhanced systems to manage the rapid expansion of its fuel cell commercialization efforts in 2001.

Depreciation expense was $1.8 million for the year ended December 31, 2001 compared to $0.6 million in the previous calendar year. The increase in depreciation was reflective of the Company's investment in fuel cell manufacturing and testing equipment and additional facilities in the current and prior year.

Income tax expense, which is comprised of Indian income taxes related to in-country work and Canadian capital tax, was $0.8 million in the current year compared to $1.0 million in the prior calendar year. The Company does not record any future benefit of income tax losses and other deductions available for carryforward due to uncertainty in their utilization within the carryforward periods.

A significant increase in fuel cell commercialization expenditures resulted in an increased loss from continuing operations in the year ended December 31, 2001, to $13.0 million ($0.49 per share) compared to a loss of $0.4 million ($0.03 per share) in the previous calendar year. The net loss from continuing operations for the previous fiscal year, which comprised the nine months ended December 31, 2000, was $2.0 million ($0.09 per share).

Consistent with its strategy of focusing on power generating technologies, including both fuel cells and thermoelectric generators, the Company divested of its military heater division in 2001 and accounted for the division's results as discontinued operations. The Company recorded a gain on sale of the heater division of $0.7 million on sales proceeds of $2.1 million, reflecting the sale of the division's fixed assets, goodwill and inventory. The Company generated earnings from discontinued operations from the accelerated completion of its contract with the U.S. military of $0.4 million prior to the disposition. A net loss from discontinued operations of $0.2 million was incurred in the previous calendar year. As part of the sale agreement, Global may also receive additional payments from the purchaser based on heater sales over a five-year period should the purchaser be successful in obtaining a follow-on contract with the U.S. military at specified pricing levels. These additional payments could total an estimated $2.6 million over the five-year period in the event that these conditions are met.

In selling this non-core business, the Company realized $5.2 million in cash through sale proceeds and reductions of working capital balances related to the heater division. This cash will be redeployed in Global's fuel cell division.

For the year ended December 31, 2001, the Company incurred a net loss, after discontinued operations, of $11.8 million ($0.45 per share) compared to a net loss of $0.7 million ($0.04 per share) for the year ended December 31, 2000.

Liquidity and Capital Resources

At December 31, 2001, the Company held cash and short-term investments of $121.1 million, compared to $135.3 million at December 31, 2000. The Company maintains a very strict and conservative investment policy governing its cash and short-term investments. Investments are restricted to government securities and other low risk money market instruments.

The Company had net working capital of $124.3 million at the end of the current year, compared to $143.8 million at December 31, 2000.

The Company's long-term indebtedness, which is comprised of obligations under capital lease and a research and development loan, decreased in the period to $0.4 million at December 31, 2001, compared to $0.6 million at December 31, 2000.

The Company maintains an operating line of credit of $20.0 million with a Canadian chartered bank, of which no amount, except as noted below, was drawn at December 31, 2001 and December 31, 2000. The amount of borrowings under this facility is limited by the amount of short-term investments held on account with the same bank and the

amount of trade accounts receivable outstanding. In addition, the Company has a US$4.0 million facility to support letters of credit and guarantees. Letters of guarantee issued pursuant to these facilities totaled US$2.8 million at December 31, 2001, compared to US$1.4 million at December 31, 2000.

On July 31, 2000, in conjunction with a strategic alliance with Enbridge Inc., the Company issued Series 2 preferred shares for gross proceeds of $25.0 million. These preferred shares have a cumulative dividend ranging from 5% to a minimum of 1% based on an inverse relationship to the volume weighted average share price of the Company's common shares, determined quarterly. The Company must pay a minimum of $500,000 in preferred share dividends annually. Unpaid dividends are increased by a 2.45% quarterly rate, compounded quarterly, until payment thereof. The preferred shares are convertible at the option of the holder into a lesser amount of common shares based on a premium that increases in five year increments to 2020, thereafter, they are convertible at 95% of the market price. They are redeemable by the Company at their face value after July 31, 2004, subject to certain conditions. For the year ended December 31, 2001, the Company declared and paid dividends of $500,000 on these preferred shares. At December 31, 2001 cumulative but unpaid preferred share dividends totaled $762,657.

The Company maintains conservative financial policies with respect to its ongoing investment in fuel cell development and commercialization relative to its cash resources. In light of unpredictability of external sources of capital, the Company strives to maintain a significant cash reserve base to continue its fuel cell initiatives, in spite of fluctuations in its access to external capital. For the year ended December 31, 2002, the Company expects fuel cell commercialization expenses of $25.0 million to $30.0 million, in addition to the capital expenditures discussed below.

Investing Activities

Capital expenditures were $9.0 million for the year ended December 31, 2001 compared to $5.8 million in the prior calendar year and $5.6 million in the nine-month period ended December 31, 2000. Expenditures in the current and prior year related primarily to the expansion of Global's fuel cell facilities in Calgary, Alberta. Leasehold improvements and pilot production and testing equipment accounted for the majority of these expenditures. The Company has approximately 80,000 square feet of leased facilities dedicated to fuel cell commercialization activities and related support services.

Capital expenditures in the Company's generator division were nominal in the current year, totaling $0.2 million related to plant equipment and support. Similarly, $0.4 million of capital expenditures were incurred in the prior calendar year, and $0.3 million in the nine-month period ended December 31, 2000.

On May 31, 2001 the Company purchased 20 percent (valued at $52,000) of Advanced Measurements Inc. ("AMI"), a leading integrator of PC-based, intelligent test, measurement and automation solutions. AMI and Global have jointly developed SOFC testing equipment for the fuel cell industry. AMI was Global's primary supplier of test stand software and hardware in 2001, supplying Global with $2.4 million of equipment in the year.

The Company's capital expenditures for 2002 are expected to total $5.0 million to $8.0 million. These expenditures will include additional fuel cell pilot production equipment and testing equipment associated with the Company's fuel cell commercialization initiatives. In addition, these anticipated expenditures may include the cost of upgrading the Company's information systems to manage current and future growth requirements.

Business Risks and Outlook

The Company's primary focus is the development and commercialization of fuel cell technologies. The Company believes that its SOFC technology is well suited to stationary and remote power applications, a sector in which the Company has a successful track record with alternative power technologies.

The viability of the fuel cell industry is contingent on the ability to produce fuel cells that operate reliably on a cost competitive basis with conventional power sources, including the existing electrical grid. The Company has set cost and reliability objectives which it believes are necessary for the wide spread adoption of its future products in certain targeted markets. To achieve these objectives, further advances in its SOFC technology are required. In addition, economies of scale derived from large volume production are necessary if cost targets are to be achieved. The ability of the Company to successfully achieve the commercialization of its technology is largely dependent on it successfully meeting its technology and cost objectives.

The fuel cell industry has attracted an increasing number of companies and Global's future profitability will depend, in part, on its ability to maintain technology leadership in SOFC technology. A number of the Company's existing competitors utilize proton exchange membrane ("PEM") technology in their respective fuel cell development programs. The Company believes that each of these technologies has advantages in different applications and consequently has chosen to focus on applications where it has judged SOFC technology to be superior. The fuel cell industry also faces competition in certain applications from other emerging power technologies such as micro-turbines. The Company's success will depend on its ability to compete on a performance and cost effective basis with these technologies.

Deregulation and restructuring of electrical utilities has provided an impetus for the commercialization of alternative power sources. Environmental regulations that govern emissions and air quality standards have also accelerated the development of fuel cells and alternative energy sources. The market for the Company's fuel cell products in the future will be influenced by both industrial and environmental regulatory factors.

Thermoelectric Generators

Customer demand for thermoelectric generators has historically been contingent on regional natural gas development drilling and pipeline activity, which in turn has been affected by the relative strength in natural gas prices. The Company believes that natural gas prices will return to higher levels in North America relative to historical levels, due in part to the rising consumption of natural gas. The prospect of continued gas exploration and development in such areas as the Mackenzie Delta in northern Canada also provides additional longer term opportunities for the Company's products. The market for the Company's thermoelectric generators is expected to expand as other countries around the world develop their natural gas infrastructure. The construction of natural gas and liquids pipelines in developing countries has typically provided sales opportunities for the Company's generators. As with all commodity prices, however, pricing volatility and cyclicality exists, and the market for the Company's generators is affected by this volatility. The unpredictability of additional pipeline projects in international markets contributes to significant variability in the Company's revenue. The Company also competes with alternative electrical generating technologies for remote power applications. Although the Company believes its thermoelectric generators have significant reliability advantages over other competing products, the emergence of new technologies, including fuel cells, will influence the Company's ability to compete in remote power applications.

Corporate Governance

Details of Global's approach to corporate governance are contained in the Company's Information Circular prepared for the Special and Annual Meeting of Shareholders to be held on June 5, 2002. Copies of the Circular are available from the Company on request and are mailed to shareholders of record along with the Annual Report and Proxy Statement. Global's Information Circular is also available from SEDAR at www.sedar.com or can be accessed from the Company's web site at www.globalte.com.

Safety and the Environment

Our employees' safety is a paramount concern in all facets of our operations and in all regions where we operate. The Company has developed and rigidly enforces formal safety policies and procedures.

With regard to the environment, the Company's policy is to operate its business in a manner which protects the environment, the health of our employees and the citizens of the communities in which we may have an impact.

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The financial statements for Global Thermoelectric Inc. were prepared by management in accordance with accounting principles generally accepted in Canada. The financial and operating information presented in this statutory report is consistent with that shown in the financial statements.

Management has designed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of accounting statements for reporting purposes. Timely release of the financial information necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. Such estimates are based on careful judgements by management.

External auditors appointed by the shareholders have conducted an independent examination of the corporate and accounting records in order to express their opinion on the financial statements. The Audit Committee, consisting of non-management directors, has met with the external auditors and management in order to determine if management has fulfilled its responsibilities in the preparation of the financial statements. The Audit Committee has reported its findings to the Board of Directors and the Board has approved the financial statements.

Jim F. Perry
President & CEO

Paul A. Crilly, CA
Vice President Finance & Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Global Thermoelectric Inc.

We have audited the consolidated balance sheets of Global Thermoelectric Inc. as at December 31, 2001 and 2000 and the consolidated statements of operations and accumulated deficit and cash flows for the year ended December 31, 2001, the nine month period ended December 31, 2000 and the year ended March 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the year ended December 31, 2001, the nine month period ended December 31, 2000 and the year ended March 31, 2000 in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Calgary, Canada
February 22, 2002

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

(Amounts expressed in thousands of Canadian dollars)

		Dec. 31, 2001		Dec. 31, 2000
ASSETS [note 7]				
Current				
Cash and cash equivalents	$	**83,370**	$	4,580
Short-term investments		**37,694**		130,720
Accounts receivable [note 4]		**5,155**		8,675
Inventory [note 5]		**4,220**		3,913
Prepaid expenses		**570**		218
Current assets of discontinued operations [note 3]		**502**		4,236
		131,511		152,342
Capital assets [note 6]		**15,286**		8,216
Capital assets of discontinued operations [note 3]		**-**		117
Investment		**52**		–
	$	**146,849**	$	160,675
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	**6,485**	$	6,972
Income taxes payable		**269**		820
Deferred revenue		**-**		405
Current portion of obligations under capital leases [note 9]		**233**		249
Current liabilities of discontinued operations [note 3]		**183**		132
		7,170		8,578
Research and development loan [note 8]		**200**		190
Obligations under capital leases [note 9]		**207**		440
Commitments and contingencies [notes 7 and 13]				
Shareholders' equity				
Share capital [note 11]				
Authorized: unlimited common shares and series 2 preferred shares				
Issued and outstanding:				
- Common shares: 29,005,015 issued and outstanding (2000 – 28,923,347)		**134,557**		134,461
- Series 2 preferred shares: 1,000,000 issued and outstanding (2000 – 1,000,000)		**24,264**		24,264
Contributed surplus		**725**		725
Accumulated deficit		**(20,274)**		(7,983)
		139,272		151,467
	$	**146,849**	$	160,675

See accompanying notes

On behalf of the Board of Directors:

Kerry Brown, Director

Glynn Davies, Director

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

(Amounts expressed in thousands of Canadian dollars, except per common share amounts)

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
Revenue	$ **15,357**	$ 14,649	$ 18,534
Cost of goods sold	**10,474**	10,851	13,221
Gross margin	**4,883**	3,798	5,313
Investment income	**5,911**	3,605	444
	10,794	7,403	5,757
Expenses			
Research, engineering and development - net	**15,087**	4,980	1,980
Marketing	**1,697**	1,193	1,414
Business development	**1,119**	86	–
General and administrative	**3,600**	1,935	1,488
Interest on obligations under capital leases	**47**	55	107
Foreign exchange gain	**(372)**	(276)	(27)
Depreciation	**1,807**	495	456
(Loss) earnings from continuing operations before income taxes	**(12,191)**	(1,065)	339
Income taxes [note 10]			
Current	**777**	902	199
Net (loss) earnings from continuing operations	**(12,968)**	(1,967)	140
Discontinued operations, net of income tax [note 3]			
Earnings (loss) from discontinued operations	**433**	(372)	112
Gain on sale of discontinued operations	**744**	–	–
Net (loss) earnings	**(11,791)**	(2,339)	252
Accumulated deficit, beginning of period	**(7,983)**	(5,162)	(5,366)
Dividends on preferred shares	**(500)**	(482)	(48)
Accumulated deficit, end of period	$ **(20,274)**	$ (7,983)	$ (5,162)
Basic and diluted net (loss) earnings per common share from continuing operations [note 12]	$ **(0.49)**	$ (0.09)	$ 0.00
Basic and diluted net (loss) earnings per common share from discontinued operations [note 12]	**0.04**	(0.01)	0.01
Basic and diluted net (loss) earnings per common share [note 12]	$ **(0.45)**	$ (0.10)	$ 0.01

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts expressed in thousands of Canadian dollars)

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
Operating activities			
Net (loss) earnings from continuing operations	**$ (12,968)**	$ (1,967)	$ 140
Add (deduct) non-cash items:			
Depreciation	**1,807**	495	456
Loss (gain) on disposal of capital assets	**12**	(1)	1
Net change in non-cash working capital balances [note 14]	**853**	953	(2,147)
	(10,296)	(520)	(1,550)
Financing activities			
Proceeds from research and development loan	**10**	100	90
Repayment of obligations under capital leases	**(249)**	(306)	(380)
Proceeds on issuance of share capital, net of issue costs [note 11]	**96**	119,203	30,399
Preferred share dividends	**(500)**	(482)	(48)
Net change in non-cash working capital balances [note 14]	**(314)**	314	–
	(957)	118,829	30,061
Investing activities			
Purchase of capital assets	**(9,007)**	(5,551)	(923)
Proceeds on sale of capital assets	**37**	3	16
Investment	**(52)**	–	–
Proceeds (purchase) of short-term investments	**93,026**	(130,720)	–
Cash flow from discontinued operations	**5,160**	(1,751)	(648)
Net change in non-cash working capital balances [note 14]	**879**	–	–
	90,043	(138,019)	(1,555)
Increase (decrease) in cash and cash equivalents during the period	**78,790**	(19,710)	26,956
Cash and cash equivalents, beginning of period	**4,580**	24,290	(2,666)
Cash and cash equivalents, end of period	**$ 83,370**	$ 4,580	$ 24,290

Supplemental cash flow information [note 14]

See accompanying notes

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

1. NATURE OF OPERATIONS

The principal business of Global Thermoelectric Inc. (the "Company") is the development and commercialization of power generating equipment based on solid oxide fuel cell technology. The Company's research, engineering and development expenditures are predominately focused on residential combined heat and power products and small-scale industrial stationary products. The Company also manufactures and distributes thermoelectric generators for remote power needs. The principal applications for thermoelectric generators include natural gas well and pipeline protection systems and remote power for instrumentation, automation and telecommunication systems.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") and, except as outlined in note 17, are consistent with generally accepted accounting principles in the United States ("U.S. GAAP").

Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

The Company has estimated the useful lives of capital assets based on an assessment of historical experience, expected lives commonly used by industry participants, and managements' expectations based on the asset's purpose. Significant changes in assumptions related to an asset's purpose and changes in the competitive environment could result in impairment of the carrying value of the Company's capital assets.

The Company has estimated the warranty provision based on historical warranty claims experience of the particular products sold and the terms of the related contracts. As at December 31, 2001 the warranty provision included in current liabilities was $1,048,827 (December 31, 2000 – $861,609). Product customization as well as environmental conditions relating to a product's operational location could result in actual warranty costs differing from the warranty provision.

These consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized below.

Consolidation

These consolidated financial statements include the assets, liabilities, and results of operations of Global Thermoelectric Inc. and its subsidiary company, Global Thermoelectric Corporation. All intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

At December 31, 2001 cash and cash equivalents consist of cash on deposit and short-term interest bearing securities with interest rates ranging from 2.20% to 3.04% maturing within three months of the date of purchase. Interest is recognized in the statement of operations as earned.

Investments

At December 31, 2001 short-term investments consist of government securities and commercial paper with high credit ratings which have original maturities of three months or more and interest rates ranging from 2.13% to 3.21%. Short-term investments are classified as held to maturity and are recorded at cost.

The long-term investment consists of shares in an entity over which the Company does not exercise control or significant influence. The investment is carried at cost. During the year, in the normal course of operations, the Company purchased at fair market value $2,364,000 (nine months ended December 31, 2000 - $1,288,000; year ended March 31, 2000 – $28,000) of materials and equipment from this entity.

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

Inventory

Inventories of finished goods and work in progress are valued at the lower of cost, determined on a unit cost basis, and net realizable value. Unit cost includes materials, labour and production overhead. Raw materials and purchased parts are valued at the lower of cost, determined on a first-in, first-out basis and net realizable value.

Capital Assets

Capital assets are recorded at cost. Depreciation is applied on a straight-line basis to recognize the cost less estimated salvage value of capital assets, over their estimated useful lives as follows:

Buildings	20 years
Leasehold improvements	3 - 10 years
Machinery and equipment	3 - 10 years
Computer hardware and software	3 - 5 years
Equipment under capital leases	5 - 20 years

The depreciation of equipment recorded under capital leases is included in depreciation expense in the statement of operations.

Management regularly reviews capital assets to determine if circumstances indicate impairment of the carrying value or estimated useful life of the asset. Impairment is considered to have occurred when the carrying value of the asset exceeds the forecasted cash flow attributed to the asset. Any impairment is reflected in the statement of operations. Where the estimated useful life changes, depreciation is adjusted prospectively to reflect the change in amortization period.

Research, Engineering and Development Expenditures

Research, engineering and development costs are expensed as incurred. The Company records cost recoveries and other amounts earned in its Fuel Cell segment as a reduction of research, engineering and development costs. For the year ended December 31, 2001, $nil (nine months ended December 31, 2000 - $nil; year ended March 31, 2000 – $927,000) cost recoveries and other amounts earned were recorded as a reduction in research, engineering and development costs.

Included in depreciation expense is $1,350,000 (nine months ended December 31, 2000 – $254,000; year ended March 31, 2000 – $145,000) relating to depreciation of capital assets for research, engineering and development activities.

Government Assistance and Investment Tax Credits

Government assistance is recorded as either a reduction of the cost of the applicable capital assets or credited in the statement of operations as determined by the nature of the assistance. During the year, the Company received $53,250 (nine months ended December 31, 2000 – $35,719; year ended March 31, 2000 – $309,722) in government assistance. All assistance received was recorded as a reduction to research, engineering and development expense in the applicable period.

Investment tax credits as determined under Canadian tax legislation are accounted for using the cost reduction approach. Credits are recorded, when utilized, as either a reduction of the cost of applicable capital assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits.

Revenue Recognition

Revenue from product sales is recorded on shipment to the customer. Service revenue is recognized when the service is performed. Revenue from long-term contracts with multiple deliverable arrangements is recognized as the elements of the contract are delivered based upon their respective fair value. In circumstances where uncertainty exists about customer acceptance relating to certain elements of a contract, revenue is not recognized until acceptance occurs.

Foreign Currency Translation

Monetary assets and liabilities which are denominated in a foreign currency are translated at period end exchange rates. Revenue and expenses are translated at rates of exchange prevailing during the period. All exchange gains and losses are reflected in net earnings or loss in the period incurred.

The Company's foreign subsidiary is considered financially and operationally integrated and therefore the temporal method of translation of foreign currencies is followed. Monetary items are translated at period end exchange rates; non-monetary items are translated at historical exchange rates; revenue and expense items are translated at rates of exchange prevailing during the period; and, depreciation and amortization are translated at the same exchange rate as the assets to which they relate.

Incentive Stock Option Plan

The Company has an incentive stock option plan which is described in note 11. No compensation expense is recognized for this plan when stock options are issued. Any consideration paid to the Company on the exercise of stock options is credited to share capital.

Income Taxes

Income taxes are calculated using the liability method of tax allocation. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Reclassifications

Certain information provided in prior periods has been reclassified to conform with the current period presentation.

3. DISCONTINUED OPERATIONS

On June 18, 2001 ("the measurement date"), the Company signed a letter of intent with a U.S. purchaser for the sale of its military heater business segment. Closing of the transaction was completed on August 24, 2001. For reporting purposes, the results of operations and the financial position of this business segment have been presented as discontinued operations. Accordingly, prior period financial statements, including segmented information as disclosed in note 15, have been reclassified to reflect this change.

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

Details of the assets and liabilities of the heater business segment are as follows:

	Dec. 31, 2001	Dec. 31, 2000
Current assets of discontinued operations:		
Accounts receivable	**$ 502**	$ 36
Inventory	**-**	4,200
	$ 502	$ 4,236
Capital assets of discontinued operations	**$ -**	$ 117
Current liabilities of discontinued operations:		
Accounts payable and accrued liabilities	**$ 46**	$ 44
Warranty provision	**137**	88
	$ 183	$ 132

Additional selected financial information for the heater business segment is as follows:

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
Revenue	**$ 7,607**	$ 3,688	$ 8,752
Earnings (loss) from discontinued operations prior to the measurement date, net of income tax	**$ 433**	$ (372)	$ 112
Gain on sale of discontinued operations, net of income tax	**744**	–	–
Net earnings (loss) from discontinued operations, net of income tax	**$ 1,177**	$ (372)	$ 112

4. ACCOUNTS RECEIVABLE

	Dec. 31, 2001	Dec. 31, 2000
Trade receivables	**$ 4,482**	$ 6,057
Interest receivable	**325**	1,885
Other receivables	**357**	733
Allowance for doubtful accounts	**(9)**	–
	$ 5,155	$ 8,675

5. INVENTORY

	Dec. 31, 2001	Dec. 31, 2000
Raw materials and parts	**$ 3,764**	$ 3,527
Work in progress and finished goods	**456**	386
	$ 4,220	$ 3,913

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

6. CAPITAL ASSETS

	Dec. 31, 2001		
	Cost	Accumulated Depreciation	Net Book Value
Land	**$ 17**	**$ -**	**$ 17**
Buildings	**1,455**	**1,191**	**264**
Leasehold improvements	**3,754**	**570**	**3,184**
Machinery and equipment	**13,115**	**3,524**	**9,591**
Computer hardware and software	**2,434**	**944**	**1,490**
Equipment under capital leases	**1,206**	**466**	**740**
	$ 21,981	**$ 6,695**	**$ 15,286**

	Dec. 31, 2000		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 17	$ –	$ 17
Buildings	1,430	1,173	257
Leasehold improvements	1,200	237	963
Machinery and equipment	7,499	2,295	5,204
Computer hardware and software	1,145	590	555
Equipment under capital leases	1,755	535	1,220
	$ 13,046	$ 4,830	$ 8,216

7. CREDIT FACILITIES

The Company has an operating line of credit of $20,000,000 with a Canadian chartered bank. Borrowings under this facility bear interest at the bank's prime rate, and are repayable on demand. The Company has pledged as collateral a general security agreement over existing and future property of the Company and a hypothecation of funds held on deposit with the bank. The Company also has a US$4,000,000 facility with the same bank to support letters of credit and guarantees. The Company has pledged similar collateral for this facility as for that of the operating line together with an assignment of guarantees issued under agreements with Export Development Canada. At December 31, 2001, letters of guarantee and electronic funds transfer guarantees issued pursuant to these facilities totaled US$2,849,986 (December 31, 2000 – US$1,391,760).

8. RESEARCH AND DEVELOPMENT LOAN

For the year ended December 31, 2001, the Company received $10,000 (nine month period ended December 31, 2000 - $100,000; year ended March 31, 2000 - $90,000) from the Canadian Department of Natural Resources under the Efficiency and Alternative Energy Program designed to promote and encourage the development of energy efficiencies and renewable energy technologies. Funding under this program is to be used in the development of fuel cell technology. The loan is non-interest bearing and is repayable over a 15 year period starting March 31, 2000, based on 5% of revenue derived from this technology, up to the original sum received. No amounts have been repaid to date.

9. OBLIGATIONS UNDER CAPITAL LEASES

	Dec. 31, 2001	Dec. 31, 2000
Capital leases, with an average effective interest rate of 8.75%, repayable in monthly installments not exceeding $21,749, including interest, due at varying dates to July 2004	**$ 440**	$ 689
Less current portion	**(233)**	(249)
	$ 207	$ 440

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

Future minimum lease payments under capital leases are as follows:

2002	$ 261
2003	208
2004	6
	475
Amount representing interest	35
	$ 440

10. INCOME TAXES

The Company's computation of income tax expense is as follows:

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
Expected income tax (recovery) expense from continuing operations at 42.12% (December 31, 2000 and March 31, 2000 - 44.62%)	**$ (5,135)**	$ (475)	$ 151
Add (deduct):			
Non-deductible expenses	**32**	15	15
Manufacturing and processing deduction	**–**	–	(15)
Benefit of tax losses and deductions not recognized in the financial statements	**5,103**	460	–
Recognition of previously unrecorded income tax assets	**–**	–	(151)
Foreign income taxes	**608**	590	128
Large corporations tax	**169**	312	71
Income tax expense	**$ 777**	$ 902	$ 199

The Company has available to carry forward the following:

	Dec. 31, 2001	Dec. 31, 2000
Scientific research and experimental development expenditures	**$ 25,629**	$ 7,300
Share issue costs	**$ 5,638**	$ 6,504
Investment tax credits	**$ 6,686**	$ 2,205

The scientific research and experimental development expenditures can be carried forward indefinitely and applied to reduce taxable income in future years. Share issue costs and investment tax credits can be used to offset future taxes otherwise payable and expire as follows:

	2002	2003	2004	2005	Total
Share issue costs	$ 1,636	$ 1,586	$ 1,323	$ 1,093	$ 5,638

	2007	2008	2009	2010	2011	Total
Investment tax credits	$ 189	$ 415	$ 521	$ 1,836	$ 3,725	$ 6,686

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

Components of future income taxes

The Company has not recognized net future tax assets as reflected by the valuation adjustment reported below. The net future tax asset (current and non-current) comprises:

	Dec. 31, 2001	Dec. 31, 2000
Investment tax credit carry-forwards	$ **6,686**	$ 2,205
Scientific research and experimental development expenditures	**6,747**	1,866
Share issue costs	**2,008**	2,382
Provision for warranty costs	**374**	316
Differences between tax base and reported amounts of depreciable assets	**(2,729)**	(34)
Valuation adjustment	**(13,086)**	(6,735)
	$ **-**	$ -

11. SHARE CAPITAL

a) Issued and outstanding common and preferred shares:

	Dec. 31, 2001		Dec. 31, 2000		Mar. 31, 2000	
	Number of Shares (000's)	Amount	Number of Shares (000's)	Amount	Number of Shares (000's)	Amount
Common shares:						
Balance, beginning of period	**28,923**	**$ 134,461**	25,843	$ 39,522	16,148	$ 7,673
Issued on sale and exercise of special warrants	**-**	**-**	2,900	100,050	3,300	28,050
Share issue costs	**-**	**11**	-	(5,481)	-	(1,643)
Issued on exercise of options	**82**	**85**	180	370	316	230
Issued on exercise of warrants	**-**	**-**	-	-	3,629	3,763
Issued on conversion of preferred shares	**-**	**-**	-	-	2,450	1,449
Balance, end of period	**29,005**	**$ 134,557**	28,923	$ 134,461	25,843	$ 39,522

	Dec. 31, 2001		Dec. 31, 2000		Mar. 31, 2000	
	Number of Shares (000's)	Amount	Number of Shares (000's)	Amount	Number of Shares (000's)	Amount
Series 2 preferred shares:						
Balance, beginning of period	**1,000**	**$ 24,264**	-	$ -	-	$ -
Issued for cash	**-**	**-**	1,000	25,000	-	-
Share issue costs	**-**	**-**	-	(736)	-	-
Balance, end of period	**1,000**	**$ 24,264**	1,000	$ 24,264	-	$ -
Series 1 preferred shares:						
Balance, beginning of period	**-**	**$ -**	-	$ -	613	$ 1,450
Redeemed	**-**	**-**	-	-	(1)	(1)
Converted to common shares	**-**	**-**	-	-	(612)	(1,449)
Balance, end of period	**-**	**$ -**	-	$ -	-	$ -

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

Series 2 non-voting preferred shares have a cumulative dividend of 1% to 5% per annum, based on an inverse relationship to the volume weighted average share price of the Company's common shares determined quarterly. The dividend rate decreases in increments of 1% from the maximum rate of 5% with each $5.00 increase in the weighted average share price above $30.96, to a minimum rate of 1%. The preferred shares are convertible at the option of the holder into a lesser number of common shares based on the fraction by which their face value of $25.00 is of the conversion prices identified below:

Period of Conversion	Conversion Price
To July 31, 2005	$30.96
August 1, 2005 to July 31, 2010	$33.54
August 1, 2010 to July 31, 2015	$36.12
August 1, 2015 to July 31, 2020	$38.70
After July 31, 2020	95% of the then current market price

Dividends can be paid at the Company's option with an equivalent number of the Company's common shares based on their current market price during the quarter of dividend accumulation, determined on a previous 20 trading day, volume-weighted, average basis. A minimum of $500,000 of preferred share dividends must be paid annually. Cumulative unpaid dividends are increased by a 2.45% quarterly rate, compounded quarterly, until payment thereof. All cumulative unpaid dividends must be paid by December 31, 2010. The shares are redeemable by the Company at their face value after July 31, 2004, subject to certain conditions.

During the year ended December 31, 2001, the Company paid a dividend of $0.50 per share, or $500,000 on the Series 2 preferred shares (nine months ended December 31, 2000 – $0.48 per share, or $481,910). As at December 31, 2001, dividends in arrears totaled $0.76 per share, or $762,657 (December 31, 2000 – $nil).

b) Stock-based compensation plan

Under the Company's Amended Incentive Stock Option Plan (the "Plan"), options to purchase common shares may be granted at the discretion of the Board of Directors to directors, officers, employees and consultants of the Company. At December 31, 2001, shares reserved for issuance under the Plan totaled 2,372,335. The exercise prices for options are based on the current trading price of the common shares on the Toronto Stock Exchange (TSE) prior to the Board of Directors approving the option grant. These options are typically granted for services provided to the Company and generally vest equally over a three or four year period after granting. The aggregate number of common shares that may be reserved for allotment pursuant to options granted to any one individual may not exceed, at the date of the grant, 5% of the common shares outstanding. The options are non-transferable, and if not exercised, will expire at such time as determined by the Board, but in any event, shall not exceed a period of five years from the date the option is granted. A summary of the Company's stock options issued to directors, officers and employees is as follows:

	Number of Options (000's)	Weighted Average Exercise Price
Balance, Mar. 31, 1999	730	$ 0.59
Options granted	214	8.79
Options exercised	(316)	0.73
Balance Mar. 31, 2000	628	$ 3.32
Options granted	530	27.58
Options exercised	(180)	2.05
Balance, Dec. 31, 2000	978	$ 16.70
Options granted	978	15.72
Options exercised	(82)	1.05
Options cancelled	(30)	21.40
Balance, Dec. 31, 2001	1,844	$ 16.10

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

The following table summarizes information about stock options outstanding at December 31, 2001:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at Dec. 31, 2001 (000's)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at Dec. 31, 2001 (000's)	Weighted Average Exercise Price
$ 0.55 to $ 1.15	196	0.59	$ 0.68	196	$ 0.68
$ 6.90 to $ 14.00	555	4.07	9.31	74	8.79
$ 18.55 to $ 27.50	1,068	3.85	21.94	162	23.24
$ 38.20	25	3.74	38.20	25	38.20
$ 0.55 to $ 38.20	1,844	3.57	$ 16.10	457	$ 12.04

12. NET (LOSS) EARNINGS PER SHARE

Net (loss) earnings per common share is based on the weighted average number of common shares outstanding during the period. The Company utilizes the treasury stock method in the determination of the diluted per share amounts. Under this method, the diluted weighted average number of common shares amount is calculated on the basis that all dilutive share options and convertible preferred shares were exercised with the related proceeds used to purchase common shares of the Company at their average market price for the period.

The numerators and denominators used in the calculation of basic net (loss) earnings per common share are determined as follows:

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
Numerator:			
Net (loss) earnings from continuing operations	**$ (12,968)**	$ (1,967)	$ 140
Less: Dividends on preferred shares	**500**	482	48
Dividends in arrears on preferred shares	**763**	–	–
	(14,231)	(2,449)	92
Net earnings (loss) from discontinued operations	**1,177**	(372)	112
Net (loss) earnings available to common shareholders	**$ (13,054)**	$ (2,821)	$ 204
Denominator (000's):			
Number of shares outstanding at beginning of period	**28,923**	25,843	16,148
Weighted average number of shares issued during period	**38**	1,070	6,482
Weighted average number of shares outstanding at end of period	**28,961**	26,913	22,630

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

13. COMMITMENTS AND CONTINGENCIES

The Company has entered into operating leases for office premises, plant facilities and office equipment with future minimum lease payments for the next five years as follows:

2002	$ 1,039
2003	867
2004	762
2005	749
2006	74
	$ 3,491

In addition to the commitments disclosed above, the Company signed a Letter of Intent with an Australian company for the development of power electronics and control technologies. Subject to the signing of a definitive agreement, the Company has agreed to invest up to US$400,000 in the company by way of two installments each contingent upon certain development milestones being achieved.

14. CHANGE IN NON-CASH WORKING CAPITAL BALANCES; SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Changes in non-cash working capital balances are comprised of the following:

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
Changes in non-cash working capital:			
Accounts receivable	**$ 3,520**	$ (2,648)	$ (4,138)
Inventory	**(307)**	422	(1,062)
Prepaid expenses	**(352)**	68	(179)
Accounts payable and accrued liabilities	**(487)**	2,468	2,970
Income taxes payable	**(551)**	624	190
Deferred revenue	**(405)**	333	72
	$ 1,418	$ 1,267	$ (2,147)
Attributable to:			
Operating activities	**$ 853**	$ 953	$ (2,147)
Financing activities	**(314)**	314	–
Investing activities	**879**	–	–
	$ 1,418	$ 1,267	$ (2,147)
Supplemental cash flow information:			
Interest paid	**$ 53**	$ 55	$ 166
Income taxes paid	**$ 1,340**	$ 285	$ 16

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

15. OPERATING SEGMENT INFORMATION

The Company has two operating segments consisting of the development and commercialization of fuel cell technology and the commercial manufacturing and sale of thermoelectric generators.

The accounting policies used in these business segments are the same as those described in the summary of significant accounting policies.

	Year Ended Dec. 31, 2001			
	Fuel Cells	Generators	Corporate	Total
Revenue - Domestic	$ –	$ 5,717	$ –	$ 5,717
- Export	–	9,640	–	9,640
	–	15,357	–	15,357
Cost of goods sold	–	10,474	–	10,474
Gross margin	–	4,883	–	4,883
Investment income	–	–	5,911	5,911
	–	4,883	5,911	10,794
Expenses				
Research, engineering and development - net	13,988	1,099	–	15,087
Marketing	–	1,697	–	1,697
Business development	–	16	1,103	1,119
General and administrative	274	489	2,837	3,600
Interest on obligations under capital leases	–	–	47	47
Foreign exchange gain	–	–	(372)	(372)
Depreciation	1,307	337	163	1,807
(Loss) earnings from continuing operations before income taxes	$ (15,569)	$ 1,245	$ 2,133	$ (12,191)
Capital asset expenditures	$ 7,917	$ 219	$ 871	$ 9,007
Total assets utilized in the segment	$ 13,021	$ 10,788	$ 122,538	$ 146,347

	Nine Months Ended Dec. 31, 2000			
	Fuel Cells	Generators	Corporate	Total
Revenue - Domestic	$ –	$ 2,281	$ –	$ 2,281
- Export	–	12,368	–	12,368
	–	14,649	–	14,649
Cost of goods sold	–	10,851	–	10,851
Gross margin	–	3,798	–	3,798
Investment income	–	–	3,605	3,605
	–	3,798	3,605	7,403
Expenses				
Research, engineering and development - net	4,643	337	–	4,980
Marketing	–	1,193	–	1,193
Business development	–	–	86	86
General and administrative	75	162	1,698	1,935
Interest on obligations under capital leases	–	–	55	55
Foreign exchange gain	–	–	(276)	(276)
Depreciation	227	217	51	495
(Loss) earnings from continuing operations before income taxes	$ (4,945)	$ 1,889	$ 1,991	$ (1,065)
Capital asset expenditures	$ 5,196	$ 256	$ 99	$ 5,551
Total assets utilized in the segment	$ 5,748	$ 15,104	$ 135,470	$ 156,322

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

	Year Ended Mar. 31, 2000			
	Fuel Cells	Generators	Corporate	Total
Revenue - Domestic	$ –	$ 3,892	$ –	$ 3,892
- Export	–	14,642	–	14,642
	–	18,534	–	18,534
Cost of goods sold	–	13,221	–	13,221
Gross margin	–	5,313	–	5,313
Investment income	–	–	444	444
	–	5,313	444	5,757
Expenses				
Research, engineering and development - net	1,462	518	–	1,980
Marketing	–	1,414	–	1,414
General and administrative	25	216	1,247	1,488
Interest on obligations under capital leases	–	–	107	107
Foreign exchange gain	–	–	(27)	(27)
Depreciation	110	283	63	456
(Loss) earnings from continuing operations before income taxes	$ (1,597)	$ 2,882	$ (946)	$ 339
Capital asset expenditures	$ 484	$ 403	$ 36	$ 923
Total assets utilized in the segment	$ 776	$ 12,982	$ 24,413	$ 38,171

Export revenue includes generator sales and service as follows:

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
United States	**$ 3,450**	$ 1,916	$ 2,221
India	**666**	7,006	9,332
Other international	**5,524**	3,446	3,089
Total export revenue	**$ 9,640**	$ 12,368	$ 14,642

At December 31, 2001, $9,000 of the Company's capital assets was located in India (December 31, 2000 – $50,000; March 31, 2000 - $nil). Other than office equipment located in the United States, all remaining assets are located in Canada.

16. FINANCIAL INSTRUMENTS

a) Fair values of financial assets and liabilities

The fair value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities and income taxes payable approximates their carrying value because of the short-term nature of these instruments. The carrying value of obligations under capital leases approximates their fair value. The fair value of the research and development loan is not determinable as the timing of repayment is dependent upon revenue derived from the related technology.

b) Credit risk

The Company manufactures thermoelectric generators for sale primarily to customers in the oil and natural gas industry in North America and international locations. The Company generally extends unsecured credit to North American customers, and therefore, the collection of these receivables may be affected by changes in economic or other conditions and may accordingly impact the Company's overall credit risk. Management believes the risk is mitigated by the size, reputation and diversified nature of the companies to which they extend credit. Material international sales are generally secured with letters of credit to reduce risk of material losses on collection of receivables and may be insured with Export Development Canada against wrongful calls of letters of guarantee.

The Company has not previously experienced any material credit losses on the collection of receivables. Of the Company's significant individual accounts receivable at December 31, 2001, approximately 47% were owing from four customers (December 31, 2000 – 48% from two customers).

c) Foreign exchange risk

Foreign exchange risk is the risk that variations in exchange rates between the Canadian dollar and foreign currencies will affect the Company's operating and financial results. The Company earns a significant portion of its operating revenue in U.S. dollars and does not use derivative instruments to reduce its exposure to this foreign exchange risk. For the year ended December 31, 2001, 63% of the Company's revenue was denominated in U.S. dollars (nine months ended December 31, 2000 – 84%; year ended March 31, 2000 – 79%).

d) Interest rate risk

The Company is exposed to interest rate risk in relation to interest income earned on short-term interest bearing securities and short-term investments. At December 31, 2001, the increase or decrease in net earnings for each 1% change in interest rates earned on cash and cash equivalents, and short-term investments amounts to approximately $1,210,000 per annum (nine months ended December 31, 2000 – $1,015,000).

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's consolidated financial statements have been prepared in accordance with Canadian GAAP, which differs in certain respects from U.S. GAAP. The Company's net (loss) earnings reported under Canadian GAAP is consistent with the net (loss) earnings and comprehensive income that would be reported under U.S. GAAP.

Derivative instruments and hedging activities

Effective January 1, 2001, the Company adopted FAS 133, "Accounting for Derivative Instruments and Hedging Activities" and its amendments FAS 137 and FAS 138. As at December 31, 2001, the Company does not have any hedging or derivative instruments (December 31, 2000 – $nil).

Stock-based compensation

As described in note 11, the Company has granted stock options to selected employees, directors and officers. For U.S. GAAP purposes, Financial Accounting Standards ("FAS") 123, "Accounting for Stock-Based Compensation," requires that an enterprise recognize, or at its option, disclose the impact of the fair value of stock options and other forms of stock-based compensation in the determination of income. The Company has elected under FAS 123 to continue to measure compensation cost by the intrinsic value method set out in Accounting Principles Board ("APB") Opinion 25. As options are granted at exercise prices based on the market value of the Company's shares at the date of grant, there is no compensation expense relating to APB Opinion 25.

(Tabular amounts in thousands of Canadian dollars, except per common share amounts)

Under FAS 123, where a company chooses to continue to apply APB Opinion 25 in its basic financial statements, supplemental pro forma information as if the fair value method was applied must be disclosed. This pro forma information is set out below. The pro forma stock option compensation expense has been determined by reference to the Black-Scholes option-pricing model that takes into account the stock price as of the grant date, the exercise price, the expected life of the option, the estimated volatility of the underlying stock, expected dividends and the risk free interest rate over the term of the options.

The calculations applied have assumed that the life of all options granted equals four to five years, no dividends will be paid, expected volatility of 126.2% (December 31, 2000 – 128.4%; March 31, 2000 – 122.5%) and a risk free interest rate of 3.50% (December 31, 2000 – 5.00%; March 31, 2000 – 5.75%).

Pro forma information with respect to the impact of the fair value of stock options at the date of grant on reported income is presented below. The effects of applying FAS 123 may not be representative of the effects on reported net loss for future years.

	Year Ended Dec. 31, 2001	Nine Months Ended Dec. 31, 2000	Year Ended Mar. 31, 2000
Net (loss) earnings and comprehensive net (loss) earnings in accordance with U.S. GAAP	**$ (11,791)**	$ (2,339)	$ 252
Compensatory fair value of options granted	**5,265**	2,078	384
Pro forma net (loss) earnings and comprehensive net (loss) earnings in accordance with U.S. GAAP	**$ (17,056)**	$ (4,417)	$ (132)
Basic and diluted pro forma net (loss) earnings and comprehensive net (loss) earnings per common share in accordance with U.S. GAAP	**$ (0.63)**	$ (0.18)	$ 0.00

Recent Accounting Standards

In June 2001, the Financial Accounting Standards Board issued FAS 141, "Accounting for Business Combinations" and FAS 142, "Goodwill and Other Intangible Assets." New Canadian standards have also been adopted which are substantially the same as the U.S. standards.

All business combinations initiated on or after July 1, 2001 must now be accounted for using the purchase method. Under FAS 142, goodwill should not be amortized but instead, tested annually for impairment. Similarly, an intangible asset with an indefinite life should not be amortized until its life is determined to be finite. Such assets must be tested for impairment annually, or more frequently if events or circumstances indicate that the asset might be impaired.

In August 2001, the Financial Accounting Standards Board approved FAS 144, "Impairment of Long-Lived Assets." FAS 144 requires that in cases where undiscounted expected cash flows associated with long-lived assets are less than their carrying value, an impairment provision is recognized in an amount by which the carrying value exceeds the estimated fair value of such assets. FAS 144 will be applicable for fiscal years beginning after December 15, 2001.

The adoption of these standards will not have any impact on the Company's current financial position or results of operations; however, the impact of these standards in future years could be material.

Corporate Offices and Fuel Cell Division
4908 - 52nd Street SE
Calgary, Alberta, Canada T2B 3R2
Telephone (403) 204-6100
Facsimile (403) 204-6101
Email: globalhq@globalte.com

Generator Division
#9, 3700 - 78th Avenue SE
Calgary, Alberta, Canada T2C 2L8
Telephone (403) 236-5556
Facsimile (403) 236-5575

Generator Manufacturing Plant
902 Fifth Avenue
Bassano, Alberta, Canada T0J 0B0
Telephone (403) 641-3512
Facsimile (403) 641-3981

Global Thermoelectric Corp.
U.S. Generator Sales Office
614 - 16760 Hedgecroft
Houston, Texas, USA 77060
Telephone (281) 445-1515
Facsimile (281) 445-6060
Toll Free 1-800-848-4113

Directors and Committees

Kerry Brown (1, 3)
Director
Chairman and CEO,
Foundation Equity Corporation

John Chomiak (2)
Director
President and CEO,
Hemisphere Engineering Inc. and
Hemisphere Engineering U.S. Inc.

Glynn Davies (1, 3)
Director
Independent Businessman

Norman Fraser (2)
Director
Financial Consultant

John Howard (1)
Director
Managing Partner,
Howard Kirkpatrick Associates,
Chartered Accountants

Jim F. Perry (3)
Director
President and CEO,
Global Thermoelectric Inc.

Robert Snyder (2,3)
Director and Chairman
Former Senior Vice President,
Nova Gas Transmission Ltd.

Henry Yip (2)
Director
Executive Vice President,
Network Services, AT&T Canada

(1) Audit Committee
(2) Corporate Governance and Compensation Committee
(3) Executive Committee

Officers and Management

Jim F. Perry
President & CEO

Peter Garrett
Chief Operating Officer

Jim Barker
Vice President, Business Development and Marketing

Paul A. Crilly
Vice President, Finance & CFO

Dave Ghosh
Vice President, Chief Technology Officer

Bernie LeSage
Vice President, Generator Division

Brian McGurk
Vice President, Human Resources

Donelda P. Bester
Assistant Corporate Secretary

Bankers
Bank of Nova Scotia
Calgary, Alberta

Auditors
Ernst & Young LLP
Calgary, Alberta

Legal Counsel
Bennett Jones LLP
Calgary, Alberta

Transfer Agent & Registrar
Computershare Trust Company of Canada
Calgary, Alberta & Toronto, Ontario

Stock Listing
The Toronto Stock Exchange
Trading Symbol: **GLE**

Corporate Communication

To receive the Company's Quarterly Reports and News Releases electronically please visit our website (www.globalte.com) to subscribe for the Company's email service.

Investor relations enquiries please contact Mark Kryzan, Director, Corporate Affairs at (403) 204-6100

Designed by COG Design + Production Inc. Printed on paper with 10% recycled fiber using vegetable based inks.

GLOBAL THERMOELECTRIC INC.
4908 - 52nd Street SE
Calgary, Alberta, Canada T2B 3R2

Telephone (403) 204-6100
Facsimile (403) 204-6101
Email globalhq@globalte.com

www.globalte.com

PRINTED IN CANADA